



## **TRANSCRIPT**

### **Q4 FY24 RESULTS**

#### **Post Earnings Analysts/Investors Meet**

**Held on 30.04.2024 at 02.00 pm**

*through Webex*

**UCO Bank Senior Management is represented by :**

- 1. Mr Ashwani Kumar, Managing Director & CEO**
- 2. Mr Rajendra Kumar Saboo, Executive Director**
- 3. Mr Vijaykumar Nivrutti Kamble, Executive Director**

**Moderator : M/s Antique Stock Broking Limited**

– **Moderator:**

- Ladies and gentlemen, Good afternoon and thank you for joining us for the Post Result Conference call of UCO Bank. It is my pleasure to introduce to you the Senior Management of UCO Bank. With us, we have Mr. Ashwani Kumar, MD and CEO, Mr. Rajendra Kumar Saboo, Executive Director and Mr. Vijaykumar Nivrutti Kamble, Executive Director. We'll start the concall by opening remarks from the MD sir. So, over to you. Thank you.

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- Very good afternoon and welcome to all the analysts for this Analyst Call based on bank's financial results for FY 2023-24. Well, total business of the bank grew by 9.5% to 4,50,000 crore and deposits grew by 5.53%. Advances grew by 15.62%. Within the advances, retail advances grew by around 14.62%. And within the retail, home loan grew by 21%, vehicle loan grew by 31%. Agricultural advances grew by 13%, MSME grew by 13.53%. Bank's business per employee also increased from Rs.18.90 crore to Rs.20.93 crore. So, around 2 crores increase in the business per employee.
- And as far as operating profit is concerned, operating profit for the full 12 months stood at Rs.4,576 crores, registering a growth of 5.43% on a YoY basis. Last year it was a decline of 10% in operating profit. Net profit for the full year ended 31<sup>st</sup> March 2024 stood at Rs.1,654 crores, as against 1,862 crores during the same period in the previous financial year. Net interest income for 12 months increased by 10.3% on a YoY basis. Similarly, on Q-o-Q basis and on financial year basis also.
- Asset quality of the bank improved. Gross NPA improved from 4.78% as on 31<sup>st</sup> March 2023 to 3.46%, thereby a decline of 132 basis point. Net NPA also improved to 0.89% from 1.29%, so decline of 0.40% in that. PCR of the bank improved to 95%, and our tangible PCR is at 75%. Capital adequacy of the bank is 16.98%, wherein that Tier 1 capital stood at 14.54% and CET 1 stood at 14.14%.
- Bank's restructured portfolio has declined from Rs.4,111 crore to Rs.3,500 crore, and restructured provision bank is keeping around Rs.308 crores in the restructured book, in addition to the COVID restructuring provision which we kept earlier, Rs.530 crores, is still kept intact. As far as slippage is concerned, slippage for the quarter ended was Rs.474 crores, which was in line with the previous quarters. And if we look at overall annual slippage ratio of the bank that we had given a guidance of 1.25%, it is at 1.27%, whereas in the previous year it was 1.75%. And if you look at the slippage during the quarter, from Retail

was around Rs.90 crores, from Agri it was Rs.104 crores and for MSME Rs.179 crores and corporate it was Rs.101 crores.

- If you look at our expenditure, the operating expenditure of the bank grew in this quarter mainly because of pension and gratuity provisions in view of this wage increase settlement, which was entered and approved by IBA and the Government of India. Because of that, the wage AS-15 provision has increased substantially. For wage revision we had already kept a provision of Rs.507 crores till December 2023, which we used for the payment, and we are carrying only around Rs.70 crores of further provisions in this quarter.
- Cost of deposit ratio of the bank improved in this quarter over the previous quarter from 4.91% to 4.82%. On a year-on-year basis it was 4.78% as against 4.06%. Bank's cost-to-income ratio increased to 62%, and overall was 60% for the year, basically, on account of increase in the employee expense, largely on account of wage increase and AS-15 provision. Yield on advances is also improved to 9.06% in this quarter. Overall yield on advance is improved to 8.83% on a financial year basis.
- Net interest margin, we have kept a guidance of 2.90%. For domestic, the net interest margin for the quarter was 3.25%, and on a global basis it was 3.03%, and on a yearly basis net interest margin for domestic was 3.12% and on a global basis it was 2.92%. And if I look at our CRAR, it is around 16.98% now, which improved from 16.41% in the previous year.
- The bank has taken approval for raising capital during the year from the board, which will go to the AGM for further approvals. That is around issue of 400 crore equity shares for the face value of Rs.10 each. And bank has also declared dividend for the first time after nine years; 2.8% dividend because of the consistent profit for the last three years bank has been making.
- As far as provisions, we are holding provisions, forward-looking provisions around Rs.1,100 crores, in addition to the mandated provision of Rs.1,400 crores. So overall, on a standard book, we are keeping Rs.2,500 crores of provisions.
- This is all about the financial performance of the bank. And just to give you an idea about the initiatives the bank has taken over the period with regard to CASA acquisition, because we started with the Resources vertical, and now we are strengthening this Resources vertical by making the Resources team at the field level. We are now going for a digital transformation process, for which the vendor has been selected and financial approvals are being taken, so that the digital transformation journey will start.

- In the previous year, we completed our HR transformation wherein all HR related matters have been digitized and performance management solution has also been put in place. Now, bank is also working for bringing new integrated treasury solutions, for which the contract has been awarded and maybe in this quarter, the work will also start. And the bank has also implemented a state-of-art call centre, revamped the entire call centre, and state-of-art call centre has been implemented. Bank also introduced tap banking previously in the previous financial year, and as of date around 1,600 branches have been provided with the tap, and they have started opening accounts with the TAB banking, which gives us an edge now to reach out to the people, to the customers to open their accounts at their workplace or home place or at their factories. wherever they are. The bank now is also going to implement opening of current account through the TAB banking in the times to come.
- The bank has also started various IT initiatives other than these, wherein we are going to implement Vendor Management . We are going to upgrade our overseas Finacle network, we are going to bring new technologies for cyber security, and many other initiatives have also been planned in the times to come.
- For the skill capacity building bank has already started the learning and development project, wherein we are revamping the entire learning and development concept in the bank. Centre of Excellence at the training centre level for a particular field are being implemented now. This year we will be totally revamping the entire learning and development project, which the bank has started.
- This is about the bank's performance and the initiatives the bank has started now. So, now, I am open for the questions and answers. With me our team Mr. Saboo, our ED, Mr. Kamble, another ED and our corporate GMs are also there to answer your observations and the queries. Thank you very much.
- **Moderator:**
- Thank you MD sir, for your opening remarks. Anyone wishes to ask a question, please raise your hand. We will wait for a couple of minutes for the questions to assemble.
- We have our first question from the line on Mr. Sohail. Sohail you've been unmuted. Please go ahead.
- **Mr. Sohail – Participant:**

- Good afternoon, sir and thanks for the opportunity. Sir, three four questions from my side. First related to employee revision. So, this entire 17% increase in the wage hike has been provided for, and that is the result of the 720 crores employee expenses coming this quarter. Anything residual left?
- Sir, the second is with respect to the investment book reclassification, which was supposed to happen on April 1<sup>st</sup>. So, if you could highlight in terms of what could be the impact on the balance sheet CET-1, as well as, how are you looking at the treasury income going forward because of this change?
- Third, in terms of ROA, we are generating an ROA closer to 0.7%. Just wanted to understand whether any more levers in terms of margins OPEX or credit cost is left, and what would be your guidance towards that 1% kind of an ROA? Then probably I'll come back for follow-ups.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Thank you, Sohail. And first, let me clarify that employee cost increase has been totally taken, including the retirement benefits, AS-15 provision on gratuity and pension; everything has been taken care of. So, that is the reason that this quarter there was a substantial increase in the AS-15 provision from this quarter.
- And with regard to the investment book, I will request our ED to just give a brief about the investment book reclassification which you have done.
- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**
- Yes sir. So, the investment book reclassification as per the latest RBI guidelines, takes place on 1<sup>st</sup> April 2024. So, that we have already taken up. And as per the guidelines of RBI, we have reclassified our books in HTM, AFS and that third category that has been brought FVTPL and Profit & Loss. And within that, HFT also. So, all three categories we have done it. So, the impact on balance sheet will not be much because our investment books are mostly in HTM and AFS; HFT is very small part. And out of that, the SPPL formula has been applied, and most of the book which is interest-generating book, means basically the bonds and securities where the interest repayment is happening on quarterly or half yearly basis, so, that is already classified in AFS and HTM; very small part is there in the FVTPL or HFT book. Other investments have also been classified. So, balance sheet impact will not be much on this reclassification.
- Only one impact will be, that is, that our recap bonds which are zero coupon bond, basically issued in the next trend. The treatment of that recapitalization bond will slightly change, because as of now we were taking the investment

value in the asset side and we were reducing the zero-coupon impact to our capital. So, now that the net amount only will be taken up as per the carrying value. So, that will be slightly changed, but it will not have any impact on our CET-1 ratio because that is calculated already as per the net amount, which is available after the zero coupon discount we have removed out of that 2,600 crore.

- On new carrying value the plus/minus whatever is there in on 1<sup>st</sup> April 2024, that has been taken up into the AFS reserve or general reserve, particularly, in the starting. That was as per the guidelines of RBI. So, net impact of that also will not be much. It is very slight impact on the CET-1 ratio, whether it is positive on the CET-1 ratio because it slightly will be increasing. So, I do not think there's a very significant impact there. Hardly it will be around 4-5 basis points on the CET-1 ratio. So, that is there.
- Now, the third point which was raised was about the profitability going forward. So, again the profitability going forward as per the new directions, whatever the securities are there in AFS reserve, the plus/minus M2M of those securities will be taken into the AFS reserve. So, that will not impact the profitability. So, whatever the volatility we have been looking into the profit and loss account on every quarter due to the mark-to-market changes in the valuation of the securities on quarterly basis in AFS book, that will not be there. So, AFS book, whatever M2M will be there, that will be taken into AFS reserve directly. And whatever residual amount is there in the HFT book, that will only affect our P&L account. So, that is very small amount. And going forward, we are trying to keep our AFS book within this limit. And HTM because there is no limit in HTM now, so, we can keep our securities up to unlimited level in HTM. So, we will be selectively putting our securities where we have a due to all the securities till maturity in the HTM also. And AFS will be very selectively keeping the securities. Already there are certain securities, we have certain securities also shifted into AFS also; that exercise we have already done. So, I think, the profitability going forward, will be direct into the profit. Which we were booking earlier through AFS sale, that will also not be available. So, that will also go to the AFS reserve only. When we exit totally from any security, then only it will go through the P&L accounts. So, more or less, the P&L will be, I think, insulated from the up downs of the market for M2M... on the AFS book. I think that will be positive for the day. That's my view.

- **Mr. Sohail – Participant:**

- Just a follow-up on this treasury only. So, in this case probably if suppose the interest rate cycle is on the downward. So, earlier we had an opportunity to book treasury gains. Will those also be limited, because once you have shifted the book into HTM, you may not be able to classify it again into AFS, and probably those are something that you would lose out on in terms of P&L?
- **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**
- Yeah, to that extent, because HTM whatever we have on 1<sup>st</sup> April decided on HTM and AFS, that are now frozen. So, we cannot now shift the security from HTM to AFS or vice versa. So, at the time of adding new security only we have to decide whether we have to keep it into HTM or AFS. That is one part. Then whatever book we have in AFS that is there available for the profitability. If we are selling from AFS, it will go to AFS reserve first, and if the security has been fully exited, we have exited from that security fully or that security has been matured, so then that part of profit pertaining to that security will be taken into the Profit & Loss account. So, if we are selling from the... you have asked if there is a means moderation in the interest rates in the market and we see gain in the security portfolio in AFS, we will be selling. And if we are booking the profit, that profit will of course go through the AFS reserve into P&L. So, I do not see much impact of that issue. Because HTM already we have our HTM portfolio decided and that is basically the core portfolio which we are not going to sell anyway. So, that is not going to impact. Only AFS will be selling whenever there is an opportunity in the market as we are looking for rate cuts or moderation in the interest rates and going forward. So, I think that will be available.
- **Mr. Sohail – Participant:**
- Understood. Sir, on ROAs and the levers for the same.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- See, if you look at ROA, it is around 0.56% for the full year. And the bank is working towards operational efficiency. Because last year when we closed, 2022-23, there was a decline of operating profit by 10%. Now, this year, even after absorbing the increase of employee expense, maybe 1,000 odd crores, bank has registered operating profit of more than 5%. So, the bank's focus will continue to be on ROA or operational efficiency. And through that, we will be working for improvement in our CASA also because Resource centres has been established. So, CASA will give us a low-cost deposit. And, as you have seen, we have improved our yield on advance this quarter and the NIM also in this quarter.

And we will continue to monitor our pricing very closely so that we protect our NIM, whatever guidance we are giving.

- Another lever which I think for ROA, is your credit cost. You can very well see that our credit cost during this year is less than 0.75, and maybe going forward, our credit cost may come down also, because our gross net NPA is hardly 0.89%. We are holding around 1,100 crores of additional provisions also, forward looking provisions in our book, in addition to 1,400 crores of our mandated provision by RBI. So, in all, 2,500 crore provisions are there on the standard book as well. So, I believe we will continue to work on operational efficiency, which will increase our ROA going forward.

- **Mr. Sohail – Participant:**

- Sir, so closer to... because of these some of these one-offs and probably credit cost still being slightly higher and you also having a reasonable amount of room and loan to deposit ratio, can we expect that probably in FY25 you can reach closer to 1%?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- Maybe. It will be challenging. It may not be easy going. It may be challenging. But yes, definitely the effort will be to improve on ROA on a quarter-to-quarter basis.

- **Mr. Sohail – Participant:**

- Sure, sir. And, the final question from my side. I know that probably the guidelines for the final thing are not out. But anything on the impact of the ECL if implemented? And probably, any update on that? You hear anything from RBI?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- No, till now no update. Nothing has come. But, as I told you, the bank has already started making some forward-looking provisions to take care of the guidelines when they come. Because restructured book is one portfolio where the guidelines will be impacting much more than anything else. There our outstanding is 3,500 crores. We are holding 300 odd crores provision on the restructuring book, plus COVID forward-looking provision of 530 crores also on the restructuring book. So, that book is already protected to a great extent.



- In addition to that on SMA-1 and 2, which was in June, we kept a provision of 189 crores. At that time that book was around 2,000 crores or 2,200 crores. Now that book has also come down, SMA-1 and 2 book. We are continuing. We are currently still holding 189 crores which we kept in June 2023. So that way, we are trying to build, as a matter of prudence, making the bank ready for anything which comes out of the ECL guidelines and if RBI comes up.
- **Mr. Sohail – Participant:**
- In this ECL framework, last five years data is used, right?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Yes.
- **Mr. Sohail – Participant:**
- So, the later it gets implemented, post COVID asset quality has been very strong. So, these numbers could be dynamic and change materially if it is implemented one or two years later.
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- Yes, you are right. It will have a positive impact.
- **Mr. Sohail – Participant:**
- Sure, sir. Thanks a lot and all the best.
- **Moderator:**
- Thank you, sir. So, we have a next question from Mahrukh Adajania. Mahrukh, you've been unmuted. Please go ahead.
- **Ms. Mahrukh Adajania – Participant:**
- Hi. Good afternoon, sir. So, I have two questions. So, what would be the proportion of bad loan recovery income that would be part of your net interest income? Would you have any rough estimate, or would it be there at all?
- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**
- For current year or next year?

– **Ms. Mahrukh Adajania – Participant:**

– No, current year. As in, in the 4<sup>th</sup> Quarter and fully FY.

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– It's 110 crores.

– **Ms. Mahrukh Adajania – Participant:**

– Okay. So, 110 crores of NPL recovery income?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– Interest income. Interest income on NPA. Booked interest income. It is part of NII.

– **Ms. Mahrukh Adajania – Participant:**

– So, how do you decide how much of NPA recovery to take through NII? Basically, anything above your book liability, is it? How is it decided?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– Yes. Yes, exactly.

– **Ms. Mahrukh Adajania – Participant:**

– That's a bit unclear, across banks, not only for your bank.

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– See here, whatever amount... suppose I'm giving a small example. Let us say 10 crores is outstanding. If we receive 11 crores, 10 crores will go towards the principal and 1 crore will go towards the interest.

– **Ms. Mahrukh Adajania – Participant:**

– Okay. 1 crore will go to interest. Got it. Makes perfect sense, sir. Sir, and the other question I have is that basically, do you see recoveries remaining this strong and you being able to book 100 crores income every quarter on recoveries next year also?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– See, recovery, I must say that low hanging fruits through NCLT and other actions have already been recovered. There are still many accounts which are

under resolution and we expect through NARCL also and through NCLT also, there are certain accounts under liquidations. But definitely, the amount of NI interest which will be forming part of our interest, may come down a little bit.

– **Ms. Mahrukh Adajania – Participant:**

– But in general, every quarter, currently the proportion would be around 100-110 crore, or it was higher in the 4<sup>th</sup> Quarter?

– **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

– No. Generally, it is in the range of 40-50 crores. But this quarter in one account, we got extra amount also. So, that is the reason this quarter amount is high. It is around 40 to 50 crores.

– **Ms. Mahrukh Adajania – Participant:**

– Got it, sir. So, and the other question I have, the earlier participant already asked that basically, when we move to the new investment guidelines, then what do you think would be a normalized proportion of HTM? I know it is kept currently. Now, the limits go away. But what do you think eventually you will like to hold as a percentage of your total investments in HTM? Any rough-cut guidance? Y

– **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

– So, madam, actually, earlier there was a provision that we could sell from HTM. Even more than 5% also we could sell with just our disclosures in the annual report. But now, in the new guidance, we cannot sell more than 5%. If we sell more than 5%, we need prior approval of RBI. So, with that provision in place... And second provision is that we cannot shift from HTM to AFS now. Earlier, we were able to shift every year. So, now that provision is also... Now the HTM is actually HTM. That is, once it is in HTM, it is HTM always, right? So, that way, we are very conscious to keep the securities in HTM. Where actually we want to hold till maturity, we will keep it only in HTM.

– And the HTM proportion, as of now, I think on 1<sup>st</sup> April, what we had on the 31<sup>st</sup> March, we have reduced a little bit because we have shifted certain security on 1<sup>st</sup> April, because this was a one-time chance given by the RBI that we can have our portfolio recalibrated according to the guidelines. So, we have certain securities shifted from HTM to AFS. Now, going forward, the HTM book will be maintained at around that level only. That will be, I can say, as of now, whatever investments we have around 90,000 crores. And if we see the SLR investment

only, that is around 66,000 crores. So, out of 66,000 crores, I think around 75-80% is in HTM. So, I think going forward also, that same ratio will be maintained, because we have to have 18% security, of course, in any way to have SLR investment of our term liability and demand liabilities. So, the 18% SLR maintenance will be required, so that we can keep into the HTM, because that is already the factored in thing. We have to keep that. Over and above that, we can keep in the AFS, so as to have an opportunity to book profit as and when it arises in the market.

– **Ms. Mahrukh Adajania – Participant:**

– Got it. So, the proportion is unlikely to change much?

– **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

– No, it will not change much. Only thing is, in a non-SLR, it can certainly in limited way, because in non-SLR, as of now, we were not keeping into the HTM. It was only part of HFT or sometimes AFS mostly. But now, because non-SLR, if we take into HTM, we can keep that in HTM also. So, non-SLR portion may increase little bit.

– **Ms. Mahrukh Adajania – Participant:**

– Okay, non-SLR in HTM. But even with all that, the HTM proportion remains more or less stable, a bit here and there?

– **Mr. Rajendra Kumar Saboo - Executive Director, UCO Bank:**

– Yes.

– **Ms. Mahrukh Adajania – Participant:**

– Okay, got it. Okay, sir. This is very helpful. Thank you so much.

– **Moderator:**

– Thank you, ma'am. We have our next question from the line of Shweta. Ma'am, please go ahead, you've been unmuted.

– **Ms. Shweta – Participant:**

– Good afternoon, sir. I have a couple of question. So, we observe an almost 50 basis point of lowering of exposure towards NBFC. So, how much has the bank increased the interest rate for NBFC after the RBI guidelines for risk weightage increasing?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- See, there is no standard way that in one NBFC, we have increased by 100 bps or 25 bps. It is based on mutual discussions. And if the pricing, which we quoted, if it is not acceptable to them, and which they quote, that is not acceptable to us, if we are not making any money out of that, there we have decided to call back. So, there were certain exposures. We increased the rate, which they did not agree to. So, they paid us, and we happily accepted that because we had the opportunity to relend in other productive factors as well. So, it can't be quantified that 25 bps across, but 50 bps across it was increased on a case-to-case basis. Somewhere, tough we intended, but they did not agree. We have also agreed not to increase, because we were able to at least recover the minimum benchmark which we have set for ourselves. So, there was no standardised... across the NBFCs.

- **Ms. Shweta – Participant:**

- Okay, got it, sir. My second question is, what amount of gains your bank makes selling excess PSL certificates to other banks annually, since UCO Bank achieved a 54% of PSL target?

- **Mr. Ashwani Kumar - MD & CEO, UCO Bank:**

- See, PSL we have sold only... only 400 crores excess PSL we were having in small and marginal farmers because though we have 54pc but the PSL which we sell and get good return is through small and marginal farmers, where we sold only 400cr. So we had an excess of 400cr. and that was only 2cr. of PSL commission that we got.

- **Ms. Shweta:**

- Ok. And my last question is – the NPA levels have come down significantly. While the ROA is yet to reflect that, what are the main things that are dragging the returns for the bank as fresh slippage are similar to the previous year's levels.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- See, this year, the operating expenditure was high because of the employee cost. Otherwise our operating profits would have been much higher than what it is actually this time which we have shown and it would have finally got into our net profit also. In addition to that, we made certain provisions, forward looking provisions also this financial year to take care of future ECL guidelines, if any

there are coming and when they are coming. So bank is in a position to sustain whatever number comes, so that is a forward looking provision also kept last financial year.

- **Ms. Shweta - Participant:**

- So any guideline for the upcoming years for returns or bottom-line?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- See, if you ask me, bank is working very closely on increasing or improving its operational efficiency and you can see that inspite of high interest rate scenario, this quarter we could decrease our cost of deposit also, cost of funds also marginally increased. And our net interest margin which was around 3.03pc last quarter for the domestic book, improved to 3.25. So we are working, both on funds' side and also our deployment side, raising of funds and deployment. So to improve our margins on an on-going basis. I believe that our ROA on quarter on quarter basis will improve going forward.

- **Ms. Shweta - Participant:**

- Ok. Thank you so much Sir and all the best for the future.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- Thank you.

- **Moderator:**

- Thank you mam. We have our next question from the line of Mr. Amit Mishra. Please go ahead.

- **Mr. Amit Mishra - Participant:**

- Hi Sir! thanks for the opportunity. good afternoon everyone. Sir, just wanted to know, the geographical break-up of your retail advances like in which area or state we are more concentrated right now because 60pc of Advances is RAM right now. So concentration wise if you can give some break-up?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- See, exact break-up is not with me. My CRO is there. in case, you have exposure then please share otherwise we will give you offline exposure.
- **UCO Bank Management:**
- We will provide you.
- **Mr. Amit Mishra - Participant:**
- Ok Sir. 2<sup>nd</sup> question, if you can give some guidance on next year's recoveries like what are the recoveries you are expecting for next year?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- See, recovery during the year, we see a recovery of 3000. We have a recovery of around 3000cr. this year. So write-off recovery was 1729, operations 658 and cash recovery 740. So around 3000. So similar level of recoveries we are expecting in the next year as well as we did last year.
- **Mr. Amit Mishra - Participant:**
- Ok. Thank you Sir. I will get back if I have other questions.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Thank you.
- **Moderator:**
- If anyone has any questions, please raise your hand. Meanwhile the question queue assembles, we have a question in the chat box Sir. We have a question from Mr. Kartik Solanki. What is the overall return of pool, NCLT and non-NCLT and what can be recovery run rate in FY 25?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- I think total return of pool is around 28,000cr. and out of that, NCLT is Rs.18400 crore and run rate if you ask me, now in the NCLT pool, large counts which were

there, they have already been settled and now many of the accounts are under liquidation in NCLT and we expect resolution of few accounts this year and if you ask me exactly the number, I think NCLT last year, we recovered around

- **UCO Bank Management Team:**

- NCLT last year, we recovered around 142cr.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- No, no, that was only in quarter. I can give you this number separately.

- **Moderator:**

- Ok Sir. We have the next question from the line of Jai Mundhra. Jai Mundhra, please go ahead.

- **Mr. Jai Mundhra - Participant:**

- Hi, good afternoon Sir. Thanks for the opportunity.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- Good afternoon!

- **Mr. Jai Mundhra - Participant:**

- Sir, hi! So Sir, first question is, we have seen that the cost of deposit in this quarter, that has declined QOQ by 10 odd basis points. Is that something to read into this? is this because of bulk or you think, now the cost of deposit is likely to remain here, unlikely to go back up. How are you reading this?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- See, I tell you, cost of deposit has come down because we had excess SLR securities. So if you look at our growth in deposit, we grew by only 5.5pc whereas our advances grew by around 15.62pc. So we had excess SLR securities, certain SLR securities, non SLR securities maybe around, I think if the number is correct, more than 3000cr. were liquidated which were utilized in operations and we raised this security from the market at a cheaper rate than the deposit, at



what rate the deposit was available. Further, if you look at our deposit, we raised deposit at the overseas location also with us. Their deposit, , total cost was less than the rate which was available in the local market. So the number of instruments we used to make sure that our cost of deposit is curtailed as far as possible. Going forward also, we have reduced our bulk deposit from March 23 to March 24. Our target is to improve on the retail term deposit at CASA and also to use excess SLR securities available whenever there is an opportunity to raise the funds. I hope the requirement of the fund is there and once we achieve our CD ratio nearing to 74-75, that time we will take a fresh call for raising rates in the future.

- **Mr. Jai Mundhra - Participant:**

- Understood Sir. Sir, if I see the recovery in write-off, so that number last year for the full year was 1624cr. That has come down 1487cr. Do you think this number can remain here only or it can decline? I mean from last year to this year, we have seen a bit of a decline and as the recovery pipeline is drying up, would this number be going down only by 5-10pc only or there is an upside growth to this number?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- See, I expect the number to remain in this range only, maybe 5-10pc plus/minus from the write-off recovery going forward because in the previous year, we got money in some big accounts. Here large number of accounts are lined up through NARCL also. SO we expect some amount through NARCL, some OTS proposals also coming forward and through resolution also. Few accounts are lined up for resolution. So I expect that maybe plus minus 10pc, we may be able to maintain this number.

- **Mr. Jai Mundhra - Participant:**

- Sir, in that commentary.....I mean in NARCL, if you get the security receipt, do you account that as a notional value or you account as if this is cash because there is a sovereign guarantee there?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- No, that is treated as a recovery only and against SR, we have to make the provision also.

- **Mr. Jai Mundhra - Participant:**

- This is only.....this is not treated as cash. Right? Even if they have sovereign guarantee?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- Yes. See, ultimately, our NPA comes down. So then the account is adjusted and then investment book is.....it is shifted to the investment book. Then the provision also shifts to the investment book.

- **Mr. Jai Mundhra - Participant:**

- Yes, ok. Understood. The last question is to Saboo Sir. Sir, you mentioned that there is a few bps of....under the new investment norm, there is few bps of capital accretion. Right? If I see our RWA, this is around 1,28,000cr. and our investment book is around 90,000cr. So it looks like few basis point of CET accretion similar to few basis point of investment accretion. In a way, what I am trying to say is, the gain as a percentage of investment book is very very low. If there is a 10-15 basis point capital accretion, like 10-15 basis point accretion to the investment book which looks 42.21 voice breaking because you know this MTM would also include AFS only or you are saying that MTM is also applicable to HTM also because HTM ideally should be much in the money, right? Is the understanding right or not right?

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**

- Jai, your question was not very clear because you were not audible in between. But what I understand is that the impact of this reclassification on the CET one, as you are asking. Correct?

- **Mr. Jai Mundhra - Participant:**

- Right! Yes.

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**

- So the impact is, basically the reclassification has happened across the sectors, means HTM to AFS and AFS to HTM, heavy security. Right? And where there is a formula given by the RBI that SPPI criteria is fitted and we have kept certain

security in HTM and certain security in AFS and on 1<sup>st</sup> April, we have taken the revised carrying value of those securities. On taking the revised carried value, basically the gain is only from some listed/unlisted equity only basically. So that has only accreted into the AFS reserve or the general reserve. So on 1<sup>st</sup> of April, that was the provision that we have to take all these things into general reserve. Through general reserve, it will be appropriated. Right? So that impact is not much. that is not reflected on 31<sup>st</sup> March capital also because that is the exercise that is done on 1<sup>st</sup> April end onwards, it will be reflected in June, if it is there if any. So 31<sup>st</sup> March it is only purely based on the previous arrangement that was there in the place of 31<sup>st</sup> March.

- **Mr. Jai Mundhra - Participant:**

- Right! That is clear. What I wanted to know Sir, let us say, the accretion, the MTM is only let's say 100cr. Right? That is around 8-9 basis point of CET1. Now considering our investment book is 75,80pc of total RWA, the investment appreciation of the entire investment book is also very low. So I wanted to check, why there is so much, so less appreciation in the investment book when we must be holding deep in the money HTM bonds also?

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**

- So I think, if you are linking this to RWA, then it is a different thing. So if we see the RWA, only the market RWA comes into the picture and that is a very small amount. The credit RWA doesn't take into account the investment related RWA, that is the market RWA basically because most of the exposure in investment is in the government sovereign. So SLR securities and other recapitalization bonds. So there is no RWA credit, RWA involved into it. Right? So there is only market RWA and going forward, we will be doing the AFS portfolio, M2M on a quarterly basis, that will be taken into the AFS result, not into the P/L. Through AFS result, it will impact the CET1 because it will be taken into the capital, plus or minus. So the AFS of MTM will impact the CET1 going forward on a quarterly basis. Keeping in view, our AFS portfolio and the changes in the market on a quarterly basis, if there is any M2M, that will only impact our CET1 ratio and that will not be much.

- **Mr. Jai Mundhra - Participant:**

- And what happens to HTM accretion Sir?

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- As of now, there are no changes in HTM
- **Mr. Jai Mundhra - Participant:**
- Ok. Sir, maybe I will take it offline. Thank you so much Sir.
- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- Ya. Sure, thank you.
- **Moderator:**
- Thank you Sir. We have the next question in the line of Mahrukh. Mahrukh, please go ahead.
- **Ms. Mahrukh Adajania - Participant:**
- Hello Sir, hello!
- **Moderator:**
- You are audible.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Yes please Mahrukh.
- **Ms. Mahrukh Adajania - Participant:**
- Hello, can you hear me Sir?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Yes, yes Mahrukh. We can hear you.
- **Ms. Mahrukh Adajania - Participant:**

- So Sir, just in terms of, firstly in terms of RBI inspection, I mean whether be digital or any other aspect, would you have received any feedback for improvement on any of this?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- See, RBI does inspection and gives various data points, they have observations. Their high key examination is also held there. Normal inspection, supervisory review, they also do. So in that process, they do give their suggestions for improving the systems or improving the gaps, here and there, they observe the gaps, the gaps are there. So that is a normal process. The suggestions from their side keep on coming through various reports.

- **Ms. Mahrukh Adajania - Participant:**

- But there is nothing which will require your immediate attention or a lot of investment from your side? Right?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- No, not as such because various expenditure, high key initiatives have already been planned which they go through also when they come and look at our IT budgets, they look at our planned expenditure also. They look at our infrastructure. If they feel that certain gaps are there, they suggest certain improvements. So for that, we plan and go for further enhancements. So as such, per se nothing exceptionally high budget kind of thing they have advised. They have given us various suggestions which we have implemented in the past, we are in the process of implementing and going forward also, we will get some feedback from them.

- **Ms. Mahrukh Adajania - Participant:**

- Got it Sir! Got it! Makes sense Sir. Thank you. Thanks a lot.

- **Moderator:**

- Thank you Mam. We have our next question from the line of Mr. Sushil Choksey. Sir, please go ahead.

- **Mr. Mr. Sushil Choksey - Participant:**

- Sir, congratulations for stable numbers and the dividend declaration. First question is based on your media interaction and whatever Q&A, we have done here. Can you elaborate more on transformation journey led by the current management for our next phase of growth, be it CD ratio, digital banking, CASA initiative because larger CASA is bread and butter for the bank. We have seen what has happened in the last 6 months. Now UCO is going to increase their share where CASA is concerned and stabilize the bank for better profitability in the days to come.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Thank you Choksey ji. Just to give you some flavor about the initiatives which bank has taken and further improvement and new initiatives we are planning. First, we started with the TAB banking in the previous year for mobilizing good quality CASA customers for on boarding digitally at their workplaces.
- Now happy to share that more than 1600 branches have been provided with that TAB and one more statistics I share with you is that, the average balance in the accounts which are open through app is higher than the balance which are open through branches. Then we started with resource vertical. Earlier we were not having any resource vertical. There we identified one saving in-charge and another was current account in-charge, government business in-charge. Now we are going to strengthen at a ground level means at the zone level and various centres where we have an important deposit centre. We have also analysed the top 200 deposit centres, data published by RBI and wherever we don't have a presence, we have plans to open our branches in those areas also to garner good quality CASA and deposit from those centres. This was about CASA acquisition which bank is working on and in the current year, our CASA ratio is around 39pc which we have achieved. Generally, it is 37-38pc. Now we have achieved 39pc. Now going forward, our endeavour will be, we should improve hereon and we should not come down. So that is the plan we have. Then to support our customers, we have revamped the call centre also. it is state of art call centre, AI enabled call centre, we have started in March quarter itself and we have started yielding the....seeing the results also because the number of calls have gone up and number of calls through IVR have also gone up and that is the way we can serve our customers better.
- Then to have digital transformation, last year we started with the HR transformation. We have completed the HR transformation. All HR matters have

been digitized. Now no paper movement is for the HR issue of the employees. HR transformation through PMS – Performance Management Solutions has also been implemented in the previous year wherein all employees can see their performance score card on a month to month basis as against yearly in the previous regime. So that will give them insight into their targets and achievements on a month to month basis and in areas they can improve.

- Now to improve on the credit underwriting standards, the digital transformation journey has been started. We have already shortlisted the vendor. We are taking approvals. Shortly, within a month or so, we will be onboarding the vendor also wherein then, our transformation, digital transformation journey for the various liability and asset products will start. So all those will be available on our app also and through internet banking also and through branch assisted journey also. So in that way, it is an ambitious project, which may take off somewhere around June and within a year and a half, the project will be on, where we will do that. we are now also implementing hub structure across the bank. Now currently the underwriting of certain branches is done through retail hub, MSME hub and Agri hub but some branches are doing the sanctions on their own. So that also we are implementing. All branches will be implemented through the hub only in 3 months' time. So that our underwriting standard remains robust and improves further in the times to come.
- Then, we have also started the treasury solution, a new treasury solution we are taking, very state of art, new integrated world class treasury solution, we are bringing and which will help our treasury also to grow in a much faster pace.
- Then on capacity building, bank has started revamping its learning and development facilities and course curriculum and also identifying centre of excellence at various centres for a particular subject, maybe for retail credit or MSME, so that we bring the capacity building within the bank as well.
- So these are the few things which will.....on the digital...another thing which we are doing on the digital front is, that we are bringing the Vendor Management solution also wherein our server problems will be resolved and we will have an in-house huge server capacity so that our.....we are in a position to implement our projects in a faster pace. Currently, we have to every time go for a.....if we have to implement any project, we have to go for the servers also. Once we have Vendor Management solution, then the servers will be readily available. At any given time, we can implement any of the projects which we think of. Then we are going to upgrade our various infrastructure like our

overseas finance also. Then we are going to implement new solutions in our cyber security also. So all these are planned, approximately 1000cr. of spend we have planned for this year and that trend will continue as and when we go ahead.....whitelisting also we are doing. So various things have been completed and now other things are in pipeline.

- **Mr. Mr. Sushil Choksey - Participant:**

- Sir, thank you for answering all my questions. Best wishes for the current year and for the years to come to the team.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- Thank you Sir.

- **Moderator:**

- Thank you Sir. We have our next question from the line of Mr. Ashok Ajmera. Sir, please go ahead.

- **Mr. Mr. Ashok Ajmera - Participant:**

- Good evening Sir! This is Ashok Ajmera here. Most of the questions have been answered by you Sir in the elaborate question answer session and the bank is also doing extremely well now under your leadership and both the EDs sitting here. Sir, I have got small one or two data points, as a point of information on treasury on investment. Sir, our corporate and other bonds and debentures in non-SLR investment category is increasing from 1614cr. in March 23 to 2438cr. in December 23 to 2649cr. in March 24. So what is this increase.....I mean this non SLR, corporate bonds, can you give us some color on that, what kind of investment this is and what is the yield we are getting on this?

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- Ajmeraji, as you know that this was a time when the interest rate was high through block yield for future. I think along with the G-sec security, there was an option or opportunity also in the corporate bond market. So whenever there was an opportunity for a better yield in the corporate bond market, we went for purchasing corporate bonds, 25cr, 50cr, 75cr. on a case to case basis and that was mainly the intent and to protect the yield for the future because as we all know,



with the expected rate cut maybe 6 months down the line or whenever, the yields will come down. So to take the benefit of the yield and block the yields right now, so last year, we did increase our exposure in the corporate bond market and these bonds are generally double A and triple A rated companies and in some banks also, in some PSUs also. So all sorts of bonds are there in the bucket.

- **Mr. Ashok Ajmera - Participant:**

- What is the average yield or average interest, IRR we are getting on this non-SLR corporate bonds? I mean in this category.

- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**

- This number, I think Sabooji, you have the number? It may be around 8pc or something.

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**

- Exact number we don't have but I think it is around 8pc or slightly less than that, maybe, 7.8-8, in that range. Ajmeraji, what I want to say is that, in corporate bonds, we have 2-3 things in place which means we apply for the selection of the corporate bonds for the investment. No.1 is the tenure. So we are not going for very high modified duration, so our duration we are keeping around 3yrs. No.2, we are going as our MD Sir has told, for AA and AAA rated bonds in the market. So that is the credit quality we are ensuring. One, we are ensuring the duration and 2<sup>nd</sup> the credit quality and 3<sup>rd</sup> one is the yield. So yield, depending upon the quality means AAA maybe, it is less than 8, AA maybe it is more than 8 and sometimes we get opportunity in the market above 8 also. So as our MD Sir has already explained to maintain our yield on the corporate bonds and the overall investment portfolio. We have invested in this bond portfolio and this has been increased by around 1000cr. as you have rightly noted in non SLR bonds. So that is the basic of that.

- **Mr. Ashok Ajmera - Participant:**

- Sir, you have given the combined modified duration of AFS and HFT book. What is the AFS book modified duration?

- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- No, we have given AFS and HFT, not HTM.
- **Mr. Ashok Ajmera - Participant:**
- AFS and HFT, you have given.
- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- Yes, HFT is a very small part. HFT is a very small part, that is only 50cr. So that doesn't matter much. So AFS is also the same.
- **Mr. Ashok Ajmera - Participant:**
- About 3.1....
- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- Around 3.1.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- 3.1 is AFS and HFT.
- **Mr. Ashok Ajmera - Participant:**
- So you expect this modified duration little bit higher, you expect the interest rate to come down and then you get benefitted from the AFS book. Isn't it?
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Yes.
- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- Ya.

- **Mr. Ashok Ajmera - Participant:**
- Alright Sir. Thank you very much and all the best. First time, we have seen some lot of improvement in various small small parameters of bank and you are doing extremely well Sir, with the kind of experience you have in the banking. Thank you.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Thank you Ajmeraji. Thank you Sir.
- **Mr. Rajendra Kumar Saboo – Executive Director, UCO Bank:**
- Thank you.
- **Moderator:**
- We will take that as the last question. Over to MD Sir for his closing remarks.
- **Mr. Ashwani Kumar – MD & CEO, UCO Bank:**
- Thank you to all our analysts and investors for showing interest and I am happy to see large number of analysts coming this time and praising the bank's performance. We will continue to work to strengthen our bank further to make it a future ready bank by improving on all parameters on a quarter on quarter basis. Thank you very much. Thank you.
- **Moderator:**
- Thank you MD Sir. This concludes the call. Thank you everyone for joining the call.

*~End of Transcript~*